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I

106TH CONGRESS
1ST SESSION

H. R. 1344

To promote and improve access to health care services in rural areas.

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. NUSSLE (for himself, Mr. MCINTYRE, Mrs. EMERSON, Mr. STENHOLM, Mr. BEREUTER, Mr. KIND, Mr. MORAN of Kansas, Mr. OBERSTAR, Mr. THORNBERRY, Mr. STUPAK, Mr. HILL of Montana, Mr. DEFazio, Mr. PETERSON of Pennsylvania, Mr. HILLIARD, Mr. BERRY, Mr. HERGER, Mr. LEACH, Mr. LATHAM, Mr. MCHUGH, Mr. NEY, Mr. NORWOOD, Mr. MASCARA, Mr. WALSH, Mr. FROST, Mr. BOSWELL, Mr. SKELTON, Mr. BAIRD, Mr. FALOMAVEGA, Mr. PHELPS, Mr. BARRETT of Nebraska, Mr. BOUCHER, and Mr. RAHALL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To promote and improve access to health care services in rural areas.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Triple-A Rural Health Improvement Act of 1999”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
 Sec. 2. Findings.

TITLE I—PROMOTING ACCESS TO HEALTH CARE SERVICES IN
 RURAL AREAS UNDER THE MEDICARE PROGRAM

Subtitle A—Hospital-Related Payment Provisions

- Sec. 101. Establishing payment floor for medicare hospital outpatient prospective payment system.
 Sec. 102. Repeal of restriction on medicare payment for certain hospital discharges to post-acute care.
 Sec. 103. Sole community hospitals.
 Sec. 104. Critical access hospitals.
 Sec. 105. Graduate medical education technical amendments.
 Sec. 106. Medicare-dependent, small rural hospitals.
 Sec. 107. Geographic reclassification for purposes of DSH payments.
 Sec. 108. Revision of guidelines for geographic reclassification by wage index.
 Sec. 109. Hospital geographic reclassification for labor costs for all items and services reimbursed under prospective payment systems.

Subtitle B—Medicare+Choice

- Sec. 111. Payments to Medicare+Choice organizations.
 Sec. 112. Repeal of phase out of medicare reasonable cost reimbursement contracts.
 Sec. 113. Medicare+Choice rural demonstration project.

Subtitle C—General Payment Provisions

- Sec. 121. Direct medicare payment for physician assistants, nurse practitioners, and clinical nurse specialists practicing in underserved rural areas.
 Sec. 122. Coverage of qualified mental health professional services under medicare.
 Sec. 123. Medicare waivers for providers in rural areas.
 Sec. 124. Safe harbor under the anti-kickback statute for hospital restocking of certain ambulance drugs and supplies.

TITLE II—PROMOTING ACCESS TO HEALTH CARE SERVICES IN
 RURAL AREAS UNDER THE MEDICAID PROGRAM

- Sec. 201. Continuation of pre-BBA medicaid reimbursement rules for federally qualified health centers and rural health clinics.
 Sec. 202. Medicaid coverage of physicians' assistants.

TITLE III—PROMOTING ACCESS TO HEALTH CARE SERVICES IN
 RURAL AREAS UNDER THE INTERNAL REVENUE CODE

- Sec. 301. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program.
 Sec. 302. Issuance of tax-exempt bonds by organizations providing rescue and emergency medical services.

Sec. 303. Bank deductibility of small, tax-exempt debts.

TITLE IV—ADDITIONAL PROVISIONS TO ADDRESS SHORTAGES OF HEALTH PROFESSIONALS IN RURAL AREAS

Sec. 401. Requirement for rural impact Statements for health care regulations.

Sec. 402. Health professional shortage areas.

Sec. 403. Access to data.

Sec. 404. Designation of underserved areas under health care contracts administered by the Office of Personnel Management.

Sec. 405. Revision of methodology for designation of health professional shortage areas.

Sec. 406. Sense of Congress regarding the reserve corps of the commissioned corps of the public health service.

TITLE V—TELEMEDICINE

Subtitle A—Improvements to the Medicare Program

Sec. 501. Improvement of telehealth services.

Sec. 502. Joint working group on telehealth.

Subtitle B—Development of Telehealth Networks

Sec. 511. Development.

Sec. 512. Administration.

Sec. 513. Guidelines.

Sec. 514. Authorization of appropriations.

1 SEC. 2. FINDINGS.

2 Congress makes the following findings:

3 (1) Rural communities have long had great dif-
4 ficulty recruiting and retaining health care providers
5 to serve the needs of their residents.

6 (2) Despite great increases in the production of
7 providers in this country (the number of individuals
8 per physician fell from 724 in 1965 to 375 in 1995),
9 individuals living in rural areas have not shared eq-
10 uitably in the benefits of this expansion.

11 (3) Over 51,000,000 Americans live in rural
12 areas, making up approximately 20 percent of the
13 population. Further, 22,000,000 rural Americans

1 live in a federally designated Health Professional
2 Shortage Area.

3 (4) The following conditions are characteristic
4 of rural populations:

5 (A) The relative lack of health care re-
6 sources as compared to urban areas.

7 (B) The uneven pattern of disease burden.

8 (C) The idiosyncratic distribution of pro-
9 grams and resources resulting from policy vari-
10 ations across the nation.

11 (5) Of the non-metropolitan counties in the
12 United States, 20 percent are considered frontier
13 counties, with six or fewer people per square mile.
14 Seven million Americans live in frontier areas.

15 **TITLE I—PROMOTING ACCESS**
16 **TO HEALTH CARE SERVICES**
17 **IN RURAL AREAS UNDER THE**
18 **MEDICARE PROGRAM**

19 **Subtitle A—Hospital-Related**
20 **Payment Provisions**

21 **SEC. 101. ESTABLISHING PAYMENT FLOOR FOR MEDICARE**
22 **HOSPITAL OUTPATIENT PROSPECTIVE PAY-**
23 **MENT SYSTEM.**

24 (a) IN GENERAL.—Section 1833(t)(1) of the Social
25 Security Act (42 U.S.C. 1395l(t)(1)) is amended—

(1) in subparagraph (B), by striking “For purposes of this” and inserting “Subject to subparagraph (C), for purposes of this”; and

(2) by adding at the end the following new subparagraph:

“(C) **EXCLUSION FOR SERVICES FURNISHED BY SMALL RURAL PROVIDERS.**—Such term does not include services furnished by any of the following:

“(i) A medicare-dependent, small rural hospital, as defined in section 1886(d)(5)(G)(iv).

“(ii) A critical access hospital, as defined in section 1861(mm)(1).

“(iii) A sole community hospital, as defined in section 1886(d)(5)(D)(iii).”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) applies to payment for covered OPD services furnished on or after January 1, 2000.

SEC. 102. REPEAL OF RESTRICTION ON MEDICARE PAYMENT FOR CERTAIN HOSPITAL DISCHARGES TO POST-ACUTE CARE.

(a) **IN GENERAL.**—Section 1886(d)(5) of the Social Security Act (42 U.S.C. 1395ww(d)(5)) is amended—

1 (1) in subparagraph (I)(ii), by striking “not
2 taking in account the effect of subparagraph (J),”,
3 and

4 (2) by striking subparagraph (J).

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 subsection (a) apply to discharges occurring on or after
7 January 1, 2000.

8 **SEC. 103. SOLE COMMUNITY HOSPITALS.**

9 (a) **IN GENERAL.**—Section 1886(b)(3)(C) of the So-
10 cial Security Act (42 U.S.C. 1395ww(b)(3)(C)) is
11 amended—

12 (1) in clause (i), by redesignating subclauses (I)
13 and (II) as items (aa) and (bb), respectively;

14 (2) by redesignating clauses (i), (ii), (iii), and
15 (iv) as subclauses (I), (II), (III), and (IV), respec-
16 tively;

17 (3) by striking “(C) In” and inserting “(C)(i)
18 Subject to clause (ii), in”; and

19 (4) by striking the last sentence and inserting
20 the following new clause:

21 “(ii)(I) There shall be substituted for the base cost
22 reporting period described in clause (i)(I) a hospital’s cost
23 reporting period (if any) beginning during fiscal year 1987
24 if such substitution results in an increase in the target
25 amount for the hospital.

1 “(II) Beginning with discharges occurring in cost re-
2 porting periods beginning in fiscal year 2000, there shall
3 be substituted for the base cost reporting period described
4 in clause (i)(I) either—

5 “(aa) the allowable operating costs of inpatient
6 hospital services (as defined in subsection (a)(4))
7 recognized under this title for the hospital’s cost re-
8 porting period (if any) beginning during fiscal year
9 1995 increased (in a compounded manner) by the
10 applicable percentage increases applied to the hos-
11 pital under this paragraph for discharges occurring
12 in fiscal years 1996, 1997, 1998, and 1999, or

13 “(bb) the allowable operating costs of inpatient
14 hospital services (as defined in subsection (a)(4))
15 recognized under this title for the hospital’s cost re-
16 porting period (if any) beginning during fiscal year
17 1996 increased (in a compounded manner) by the
18 applicable percentage increases applied to the hos-
19 pital under this paragraph for discharges occurring
20 in fiscal years 1997, 1998, and 1999,

21 if such substitution results in an increase in the target
22 amount for the hospital.”.

23 (b) ELIGIBILITY FOR GEOGRAPHIC RECLASSIFICA-
24 TION WITHOUT REGARD TO WAGE INDEX THRESHOLD.—

(1) IN GENERAL.—Section 1886(d)(10)(D)(iii) of such Act (42 U.S.C. 1395ww(d)(10)(D)(iii)) is amended by inserting “or a sole community hospital under paragraph (5)(D)” after “a rural referral center under paragraph (5)(C)”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on January 1, 2000, and apply with respect to applications submitted for geographic reclassification for cost reporting periods beginning on or after such date.

SEC. 104. CRITICAL ACCESS HOSPITALS.

(a) CONVERSION OF RECENTLY CLOSED HOSPITALS TO CRITICAL ACCESS HOSPITALS.—

(1) IN GENERAL.—Section 1820(c)(2) of the Social Security Act (42 U.S.C. 1395i-4(c)(2)) is amended by adding at the end the following new subparagraph:

“(C) RECENTLY CLOSED FACILITIES.—A

State may designate a facility as a critical access hospital if the facility—

“(i) within the 3-year period ending on the date of enactment of this subparagraph—

“(I) ceased operations; or

1 “(II) was a nonprofit or public
2 hospital that was downsized to a clinic;
3 and

4 “(ii) would, after being designated as
5 a critical access hospital, meet the requirements
6 of subparagraph (B).”.

7 (2) EFFECTIVE DATE.—The amendment made
8 by paragraph (1) shall take effect on the date of enactment
9 of this Act.

10 (b) ALL-INCLUSIVE PAYMENT OPTION FOR OUTPATIENT
11 CRITICAL ACCESS HOSPITAL SERVICES.—

12 (1) IN GENERAL.—Section 1834(g) of the Social
13 Security Act (42 U.S.C. 1395m(g)) is amended
14 to read as follows:

15 “(g) PAYMENT FOR OUTPATIENT CRITICAL ACCESS
16 HOSPITAL SERVICES.—The amount of payment under
17 this part for outpatient critical access hospital services is
18 the amount determined under one of the two following
19 methods, as elected by the critical access hospital:

20 “(1) REASONABLE COSTS.—There shall be paid
21 amounts equal to the reasonable costs of the critical
22 access hospital in providing such services.

23 “(2) ALL-INCLUSIVE RATE.—With respect to
24 both facility services and professional medical services,
25 there shall be paid amounts equal to the costs

1 which are reasonable and related to the cost of fur-
2 nishing such services or which are based on such
3 other tests of reasonableness as the Secretary may
4 prescribe in regulations, less the amount the hospital
5 may charge as described in clause (i) of section
6 1866(a)(2)(A), but in no case may the payment for
7 such services (other than for items and services de-
8 scribed in section 1861(s)(10)(A)) exceed 80 percent
9 of such costs.

10 The amount of payment shall be determined under either
11 method without regard to the amount of the customary
12 or other charge.”.

13 (2) EFFECTIVE DATE.—The amendment made
14 by paragraph (1) shall take effect as if included in
15 the enactment of the Balanced Budget Act of 1997.

16 (c) ELIGIBILITY FOR PAYMENTS UNDER THE MED-
17 ICAID PROGRAM.—

18 (1) IN GENERAL.—Section 1905(a) of the So-
19 cial Security Act (42 U.S.C. 1396d(a)) is
20 amended—

21 (A) by striking “and” at the end of para-
22 graph (26);

23 (B) by redesignating paragraph (27) as
24 paragraph (28); and

1 (C) by inserting after paragraph (26) the
2 following new paragraph:

3 “(27) services furnished by a critical access
4 hospital (as defined section 1861(mm)(1); and”.

5 (2) EFFECTIVE DATE.—The amendments made
6 by paragraph (1) apply with respect to items and
7 services furnished on or after January 1, 2000.

8 (d) ACCREDITATION.—The last sentence of section
9 1861(e) of such Act (42 U.S.C. 1395x(e)) is amended to
10 read as follows:

11 “The term ‘hospital’ does not include a critical access hos-
12 pital (as defined in section 1861(mm)(1)), unless the con-
13 text otherwise requires, or unless a critical access hospital
14 applies for accreditation by the Joint Commission on Ac-
15 creditation of Hospitals.”.

16 **SEC. 105. GRADUATE MEDICAL EDUCATION TECHNICAL**
17 **AMENDMENTS.**

18 (a) INDIRECT GRADUATE MEDICAL EDUCATION AD-
19 JUSTMENT.—

20 (1) IN GENERAL.—Section 1886(d)(5)(B)(v) of
21 the Social Security Act (42 U.S.C.
22 1395ww(d)(5)(B)(v)) is amended to read as follows:

23 “(v)(I) In determining the adjustment with re-
24 spect to a hospital that sponsors more than one
25 allopathic or osteopathic residency training program

1 for discharges occurring on or after October 1,
2 1997, the total number of full-time equivalent in-
3 terns and residents in the fields of allopathic and os-
4 teopathic medicine in either a hospital or nonhos-
5 pital setting may not exceed the number of such full-
6 time equivalent interns and residents who partici-
7 pated, or who but for an approved leave would have
8 participated, in the hospital's approved medical resi-
9 dency training programs for the hospital's most re-
10 cent cost reporting period ending on or before De-
11 cember 31, 1996.

12 “(II) In determining the adjustment with re-
13 spect to a hospital that sponsors only one allopathic
14 or osteopathic residency program for discharges oc-
15 curring on or after October 1, 1997, the total num-
16 ber of full-time equivalent interns and residents in
17 the fields of allopathic and osteopathic medicine who
18 participated, or who but for an approved leave would
19 have participated, in the hospital's medical residency
20 training program may be increased by not more
21 than one for any calendar year, and may not exceed
22 a total of three more than the number appointed in
23 either a hospital or nonhospital setting for the hos-
24 pital's most recent cost reporting period ending on
25 or before December 31, 1996.”.

1 (2) TECHNICAL AMENDMENTS.—Section
2 1886(d)(5)(B) of such Act (42 U.S.C.
3 1395ww(d)(5)(B)) is amended by moving clauses (ii)
4 and (vi) two ems to the left.

5 (b) DIRECT GRADUATE MEDICAL EDUCATION AD-
6 JUSTMENT.—

7 (1) LIMITATION ON NUMBER OF RESIDENTS.—
8 Section 1886(h)(4)(F) of the Social Security Act (42
9 U.S.C. 1395ww(h)(4)(F)) is amended by inserting
10 “who participated, or who but for an approved leave
11 would have participated, in the hospital’s medical
12 residency training programs” after “may not exceed
13 the number of such full-time equivalent residents”.

14 (2) FUNDING.—

15 (A) NEW PROGRAMS.—The first sentence
16 of section 1886(h)(4)(H)(i) of such Act (42
17 U.S.C. 1935ww(h)(4)(H)(i)) is amended by in-
18 serting “and before September 30, 1999” after
19 “January 1, 1995”.

20 (B) PROGRAMS MEETING RURAL NEEDS.—

21 The second sentence of such section is amended
22 by striking the period at the end and inserting
23 “, including facilities that are not located in an
24 underserved rural area but have established

1 separately accredited approved medical resi-
2 dency training programs in such an area.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in the enact-
5 ment of the Balanced Budget Act of 1997.

6 **SEC. 106. MEDICARE-DEPENDENT SMALL RURAL HOS-**
7 **PITALS.**

8 (a) REDUCTION IN ELIGIBILITY DISCHARGE PER-
9 CENTAGE.—Section 1886(d)(5)(G)(iv)(IV) of the Social
10 Security Act (42 U.S.C. 1395ww(d)(5)(G)(iv)(IV)) is
11 amended by striking “60” and inserting “50”.

12 (b) REBASING FOR DISCHARGES DURING THE MOST
13 CURRENT AUDITED FISCAL YEAR.—Section
14 1886(b)(3)(D) of the Social Security Act (42 U.S.C.
15 1395ww(b)(3)(D) is amended—

16 (1) in the second sentence, by striking “begin-
17 ning during fiscal year 1987” and inserting “ending
18 during fiscal year 1998”; and

19 (2) by adding at the end the following new sen-
20 tence: “An increase in the target amount by reason
21 of the previous sentence shall have no effect on the
22 classification of a hospital as a medicare-dependent,
23 small rural hospital.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to discharges occur-
3 ring on or after October 1, 1999.

4 **SEC. 107. GEOGRAPHIC RECLASSIFICATION FOR PURPOSES**
5 **OF DSH PAYMENTS.**

6 (a) IN GENERAL.—Section 1886(d)(10)(C)(i) of the
7 Social Security Act (42 U.S.C. 1395ww(d)(10)(C)(i)) is
8 amended—

9 (1) by striking “or” at the end of subclause (I);

10 (2) by striking the period at the end of sub-
11 clause (II) and inserting “, or”; and

12 (3) by adding at the end the following new sub-
13 clause:

14 “(III) eligibility for and amount of additional
15 payments under paragraph (5)(F).

16 In the case of a hospital with an application approved
17 under subclause (I) to change the hospital’s geographic
18 classification for a fiscal year, such change in the hos-
19 pital’s geographic classification for that fiscal year shall
20 apply to such hospital for purposes of subclause (III).”.

21 (b) APPLICABLE GUIDELINES.—Section
22 1886(d)(10)(D) of such Act (42 U.S.C.
23 1395ww(d)(10)(D)) is amended—

24 (1) in clause (i), by adding at the end the fol-
25 lowing new subclause:

1 “(V) Guidelines for considering applications
2 under subparagraph (C)(i)(III) of determining eligi-
3 bility for and amount of additional payments under
4 paragraph (5)(F).”;

5 (2) by redesignating clause (iv) as clause (v);

6 (3) by inserting after clause (iii) the following
7 new clause:

8 “(iv) Under the guidelines published by the Secretary
9 under clause (i)(V), the Board shall not reject an applica-
10 tion to change a hospital’s geographic classification under
11 subparagraph (C)(i)(I) because the change in the hos-
12 pital’s geographic classification for that fiscal year does
13 not result in an increase in the average standardized
14 amount for that hospital.”; and

15 (4) in clause (v), as so redesignated by para-
16 graph (2)—

17 (A) by inserting “(I)” after “(v)”;

18 (B) by striking “The” and inserting “Ex-
19 cept as provided in subclause (II), the”; and

20 (C) by adding at the end the following new
21 subclause:

22 “(II) The Secretary shall publish the guidelines de-
23 scribed in subclause (V) of clause (i) by January 1,
24 2000.”.

1 (c) **EFFECTIVE DATE.**—The amendments made by
2 subsection (a) take effect on January 1, 2000, and apply
3 with respect to applications for geographic reclassification
4 submitted for cost reporting periods beginning on or after
5 such date.

6 **SEC. 108. REVISION OF GUIDELINES FOR GEOGRAPHIC RE-**
7 **CLASSIFICATION BY WAGE INDEX.**

8 (a) **AVERAGE HOURLY WAGE WEIGHTED FOR OCCU-**
9 **PATIONAL MIX.**—Section 1886(d)(10)(D)(i)(I) of the So-
10 cial Security Act (42 U.S.C. 1395ww(d)(10)(D)(i)(I)) is
11 amended to read as follows:

12 “(I) Guidelines for comparing a hospital’s aver-
13 age hourly wage to the average hourly wage of hos-
14 pitals in the area in which the hospital is classified,
15 guidelines for comparing a hospital’s average hourly
16 wage to the average hourly wage of hospitals in the
17 area in which the hospital is applying to be classi-
18 fied, and guidelines for comparing a hospital’s aver-
19 age hourly wage adjusted by the occupational mix of
20 the area in which the hospital is applying to be clas-
21 sified to the average hourly wage of hospitals in such
22 area.”.

23 (b) **DATA COLLECTION REQUIREMENT.**—Section
24 1886(d)(10)(D) of such Act (42 U.S.C.

1 1395ww(d)(10)(D)), as amended by section 107(b), is fur-
2 ther amended—

3 (1) by redesignating clause (v) as clause (vi);

4 (2) by inserting after clause (iv) the following
5 new clause:

6 “(v) For purposes of considering an application under
7 subparagraph (C)(i)(II), the Secretary shall collect and
8 update every three years such information as is necessary
9 to compare a hospital’s wages weighted by the occupa-
10 tional mix of hospitals in the area in which the hospital
11 is applying to be classified, or the Board shall, in consid-
12 ering such an application, apply the most current available
13 information with respect to such wages collected by the
14 American Hospital Association.”; and

15 (3) in clause (vi), as so redesignated by para-
16 graph (1), by inserting “subclause (I), as amended
17 by the Triple-A Rural Health Improvement Act of
18 1999, and” before “subclause (III) of clause (i) by
19 January 1, 2000.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 subsections (a) and (b) take effect on January 1, 2000,
22 and apply with respect to applications for geographic re-
23 classification for cost reporting periods beginning on or
24 after such date.

1 (d) REPORT TO CONGRESS.—Not later than one year
2 after the date of the enactment of this Act, the Secretary
3 shall submit to Congress a report describing revised meth-
4 odology to compute hospital wage indices, for purposes of
5 adjustments in payment amounts to hospitals under the
6 medicare program, that reflect legitimate differences in
7 hospital wage rates by area, but that do not rely on aver-
8 age per employee expenditures.

9 (e) SENSE OF CONGRESS.—It is the Sense of the
10 Congress that the adjustment in payment amounts to hos-
11 pitals under the medicare program to reflect variations in
12 the costs of wages and wage-related costs of hospitals,
13 under section 1886(d)(3)(E) of the Social Security Act
14 (42 U.S.C. 1395ww(d)(3)(E)), should only be used with
15 respect to payments made on a prospective basis to such
16 hospitals for inpatient hospital services. Such adjustment
17 should not be applied to payment amounts for any other
18 item or service reimbursed under the medicare program.

19 **SEC. 109. HOSPITAL GEOGRAPHIC RECLASSIFICATION FOR**
20 **LABOR COSTS FOR ALL ITEMS AND SERVICES**
21 **REIMBURSED UNDER PROSPECTIVE PAY-**
22 **MENT SYSTEMS.**

23 (a) IN GENERAL.—Section 1886 of the Social Secu-
24 rity Act (42 U.S.C. 1395ww) is amended by adding at the
25 end the following new subsection:

1 “(1) APPLICATION OF HOSPITAL GEOGRAPHIC RE-
2 CLASSIFICATION FOR INPATIENT SERVICES TO ALL HOS-
3 PITAL FURNISHED ITEMS AND SERVICES REIMBURSED
4 UNDER PROSPECTIVE PAYMENT SYSTEM.—

5 “(1) IN GENERAL.—In the case of a hospital
6 with an application to the Medicare Geographic
7 Classification Review Board under subsection
8 (d)(10)(C) to change the hospital’s geographic clas-
9 sification for a fiscal year for purposes of the factor
10 used to adjust the DRG prospective payment rate
11 for area differences in hospital wage levels that ap-
12 plies to such hospital under subsection (d)(3)(E)
13 that has been approved, the change in the hospital’s
14 geographic classification for such purposes shall
15 apply for purposes of adjustments to payments for
16 variations in costs which are attributable to wages
17 and wage-related costs for all pps-reimbursed items
18 and services.

19 “(2) PPS-REIMBURSED ITEMS AND SERVICES
20 DEFINED.—For purposes of paragraph (1), the term
21 ‘pps-reimbursed items and services’ means, for cost
22 reporting periods beginning during the fiscal year
23 for which such change has been approved, items and
24 services furnished by the hospital, or by an entity or
25 department of the hospital which is provider-based

(as determined by the Secretary), for which payments—

“(A) are made under this title on a prospective basis; and

“(B) are adjusted for variations in costs which are attributable to wages and wage-related costs.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to items and services furnished on or after January 1, 2000.

Subtitle B—Medicare+Choice

SEC. 111. PAYMENTS TO MEDICARE+CHOICE ORGANIZATIONS.

(a) ADJUSTMENT TO CALCULATION OF ANNUAL CAPITATION RATES.—Section 1853(c) of the Social Security Act (42 U.S.C. 1395w–23(c)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking the comma at the end of clause (ii) and all that follows before the period; and

(B) in subparagraph (C)(ii), by inserting “multiplied by the budget neutrality adjustment factor determined under paragraph (5)” before the period at the end; and

1 (2) in paragraph (5), by striking “paragraph
2 (1)(A)” and inserting “paragraph (1)(C)(ii)”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 subsection (a) shall apply to rates calculated for years
5 after 1999.

6 **SEC. 112. REPEAL OF PHASE OUT OF CERTAIN MEDICARE**
7 **REASONABLE COST REIMBURSEMENT CON-**
8 **TRACTS.**

9 Section 1876(h)(5) of the Social Security Act (42
10 U.S.C. 1395mm(h)(5)) is amended—

11 (1) by striking “(5)(A)” and inserting “(5)”;
12 and

13 (2) by striking subparagraph (B).

14 **SEC. 113. MEDICARE+CHOICE RURAL DEMONSTRATION**
15 **PROJECT.**

16 (a) **ESTABLISHMENT OF PROJECT.**—For purposes of
17 expanding and improving the quality of items and services
18 furnished under the medicare program to medicare bene-
19 ficiaries residing in rural and frontier areas, the Secretary
20 of Health and Human Services (in this section referred
21 to as the “Secretary”) shall conduct demonstration
22 projects under which the Secretary shall establish, and
23 provide for payment for such items and services to, pro-
24 vider-sponsored organizations and other managed care en-
25 tities that are based in rural and frontier areas.

1 (b) REQUIREMENT OF RURAL AND FRONTIER
2 AREAS.—The Secretary shall designate areas in which
3 projects under this section shall be conducted. Such
4 projects may only be conducted in rural or frontier areas,
5 as defined under title XVIII of the Social Security Act
6 and under regulations promulgated thereunder.

7 (c) PROJECT IMPLEMENTATION.—

8 (1) IN GENERAL.—The Secretary shall establish
9 a benefit design, and establish payment amounts for
10 items and services furnished by such provider-spon-
11 sored organizations and managed care entities to
12 medicare beneficiaries.

13 (2) DATA COLLECTION.—The Secretary shall
14 provide for the collection of information (including
15 information concerning quality and access to care),
16 for purposes of evaluating the results of the project.

17 (d) REPORT TO CONGRESS.—

18 (1) IN GENERAL.—Not later than two years
19 after the Secretary implements the demonstration
20 projects under this section, and annually thereafter,
21 the Secretary shall submit to Congress a report re-
22 garding such demonstration projects.

23 (2) CONTENTS OF REPORT.—The report in
24 paragraph (1) shall include the following:

1 (A) A description of the demonstration
2 projects conducted under this section.

3 (B) An evaluation of—

4 (i) the viability of such provider-spon-
5 sored organizations and managed care en-
6 tities operating in rural and frontier areas;

7 (ii) the quality of the health care serv-
8 ices provided to medicare beneficiaries re-
9 siding in such areas under the demonstra-
10 tion projects; and

11 (iii) beneficiary and health care pro-
12 vider satisfaction under the demonstration
13 project.

14 (C) Any other information regarding the
15 demonstration projects conducted under this
16 section that the Secretary determines to be ap-
17 propriate.

18 (e) WAIVER AUTHORITY.—The Secretary of Health
19 and Human Services may waive such requirements of title
20 XVIII of the Social Security Act (as amended by this Act)
21 as may be necessary for the purposes of carrying out the
22 project.

Subtitle C—General Payment Provisions

SEC. 121. DIRECT MEDICARE PAYMENT FOR PHYSICIAN ASSISTANTS, NURSE PRACTITIONERS, AND CLINICAL NURSE SPECIALISTS PRACTICING IN UNDERSERVED RURAL AREAS.

(a) IN GENERAL.—Section 1833(a)(1)(O) of the Social Security Act (42 U.S.C. 1395l(a)(1)(O)) is amended—

(1) by inserting “(or 100 percent in the case of services furnished in an underserved rural area)” after “85 percent” the first place it appears.

(b) DIRECT REIMBURSEMENT.—Section 1842(b)(6)(C) of such Act (42 U.S.C. 1395u(b)(6)(C)) is amended—

(1) by striking “clause (i) of”;

(2) by inserting “, nurse practitioner, or clinical nurse specialist” after “physician assistant” the first place it appears; and

(3) by amending clause (ii) to read as follows:

“(ii) with respect to a physician assistant, nurse practitioner, or clinical nurse specialist who is providing services in an underserved rural area, payment may be made directly to the assistant, practitioner, or specialist;”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section apply to services furnished on or after Janu-
3 ary 1, 2000.

4 **SEC. 122. COVERAGE OF QUALIFIED MENTAL HEALTH PRO-**
5 **FESSIONAL SERVICES UNDER MEDICARE.**

6 (a) IN GENERAL.—Section 1861(s)(2) of the Social
7 Security Act (42 U.S.C. 1395x(s)(2)) is amended—

8 (1) in subparagraph (S), by striking “and” at
9 the end;

10 (2) in subparagraph (T), by striking the period
11 at the end and inserting “; and”; and

12 (3) by adding at the end the following new sub-
13 paragraph:

14 “(U) qualified mental health professional serv-
15 ices (as defined in subsection (uu));”.

16 (b) PAYMENT RULES.—

17 (1) DETERMINATION OF AMOUNT OF PAY-
18 MENT.—Section 1833(a)(1) of the Social Security
19 Act (42 U.S.C. 1395l(a)(1)) is amended—

20 (A) by striking “and” before “(S)”; and

21 (B) by striking the semicolon at the end
22 and inserting the following: “, and (T) with re-
23 spect to qualified mental health professional
24 services described in section 1861(s)(2)(U), the
25 amounts paid shall be the amount determined

1 by a fee schedule established by the Secretary
 2 for purposes of this subparagraph;”.

3 (2) SEPARATE PAYMENT FOR
 4 SERVICES OF INSTITUTIONAL PROVIDERS.—Section
 5 1832(a)(2)(B)(iii) of the Social Security Act (42
 6 U.S.C. 1395k(a)(2)(B)(iii)) is amended—

7 (A) by striking “and services” and insert-
 8 ing “services”; and

9 (B) by striking the semicolon at the end
 10 and inserting the following: “, and qualified
 11 mental health professional services described in
 12 section 1861(s)(2)(U);”.

13 (c) SERVICES DESCRIBED.—Section 1861 of the So-
 14 cial Security Act (42 U.S.C. 1395x) is amended by adding
 15 at the end the following new subsection:

16 “Qualified Mental Health Professional Services
 17 “(uu)(1) The term ‘qualified mental health profes-
 18 sional services’ means such services (with such frequency
 19 limits as the Secretary determines appropriate) furnished
 20 by a mental health professional (as defined in paragraph
 21 (2)) and such services and supplies (with such limits) fur-
 22 nished as an incident to services furnished by the mental
 23 health professional that the mental health professional is
 24 legally authorized to perform under State law (or under
 25 a State regulatory mechanism provided by State law), if

1 such services and supplies are furnished to an individual
2 who resides in an area designated as a health professional
3 shortage area in accordance with section 332 of the Public
4 Health Service Act (42 U.S.C. 254e).

5 “(2) The term ‘mental health professional’ means an
6 individual who is licensed as a mental health professional
7 for the diagnosis and treatment of mental illnesses by the
8 State (or under a State regulatory mechanism provided
9 by State law) in which the individual furnishes qualified
10 mental health professional services.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section apply to services furnished on or after Janu-
13 ary 1, 2000.

14 **SEC. 123. MEDICARE WAIVERS FOR PROVIDERS IN RURAL**
15 **AREAS.**

16 Notwithstanding section 1886(d)(2)(D) of the Social
17 Security Act (42 U.S.C. 1395ww(d)(2)(D)), by not later
18 than 180 days after the date of the enactment of this Act,
19 the Secretary of Health and Human Services shall estab-
20 lish a waiver process under which entities and individuals
21 under the medicare program that are determined by the
22 Office of Management and Budget to be located in an
23 urban or large urban area for purposes of reimbursement
24 under such program may apply to the Secretary to be con-

1 sidered to be located in a rural area for such purposes
2 if such entity or individual is located—

3 (1) in a rural area, as defined by the Goldsmith
4 Modification as published in the Federal Register on
5 February 27, 1992;

6 (2) outside of an urbanized area, as defined by
7 the United States Census Bureau; or

8 (3) an area designated by a State as a rural
9 area.

10 **SEC. 124. SAFE HARBOR UNDER THE ANTI-KICKBACK STAT-**
11 **UTE FOR HOSPITAL RESTOCKING OF CER-**
12 **TAIN AMBULANCE DRUGS AND SUPPLIES.**

13 (a) IN GENERAL.—Section 1128B(b)(3) of the Social
14 Security Act (42 U.S.C. 1320a–7b(b)(3)) is amended—

15 (1) by striking “and” at the end of subpara-
16 graph (E);

17 (2) by striking the period at the end of sub-
18 paragraph (F) and inserting “; and”; and

19 (3) by adding at the end the following new sub-
20 paragraph:

21 “(G) any remuneration from a hospital to an
22 ambulance provider if—

23 “(i) the ambulance provider is owned or
24 operated (I) by a State or local government
25 agency or (II) by an organization that is de-

1 scribed in paragraph (3) or (4) of section
2 501(c) of the Internal Revenue Code of 1986
3 and that is exempt from taxation under section
4 501(a) of such Code;

5 “(ii) the remuneration is in the form of the
6 replenishment of drugs or supplies, or both,
7 used by the ambulance provider during the
8 transport of a patient to the hospital; and

9 “(iii) the remuneration is not determined
10 in a manner that takes into account the volume
11 or value of any referrals or business otherwise
12 generated between the parties for which pay-
13 ment may be made in whole or part under a
14 Federal health care program.”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 subsection (a) shall apply to remuneration provided on or
17 after the date of the enactment of this Act.

**TITLE II—PROMOTING ACCESS
TO HEALTH CARE SERVICES
IN RURAL AREAS UNDER THE
MEDICAID PROGRAM**

**SEC. 201. CONTINUATION OF PRE-BBA MEDICAID REIM-
BURSEMENT RULES FOR FEDERALLY QUALI-
FIED HEALTH CENTERS AND RURAL HEALTH
CLINICS.**

(a) ELIMINATION OF PHASE-OUT OF PAYMENT
BASED ON REASONABLE COST.—Section 1902(a)(13)(C)
of the Social Security Act (42 U.S.C. 1396a(a)(13)(C))
is amended by striking “(or 95 percent” and all that fol-
lows through “70 percent for services furnished during fis-
cal year 2003)”.

(b) ELIMINATION OF TRANSITIONAL SUPPLEMENTAL
PAYMENT FOR SERVICES FURNISHED UNDER CERTAIN
MANAGED CARE CONTRACTS.—

(1) IN GENERAL.—Section 1902(a)(13)(C) of
such Act (42 U.S.C. 1396a(a)(13)(C)) is further
amended—

(A) by striking “(C)(i)” and inserting
“(C); and

(B) by striking “and (ii)” and all that fol-
lows up to the semicolon at the end.

1 (2) CONFORMING AMENDMENT TO MANAGED
2 CARE CONTRACT REQUIREMENT.—Clause (ix) of sec-
3 tion 1903(m)(2)(A) of such Act (42 U.S.C.
4 1396b(m)(2)(A)) is amended to read as follows:

5 “(ix) such contract provides, in the case of an
6 entity that has entered into a contract for the provi-
7 sion of services with a Federally-qualified health cen-
8 ter or a rural health clinic, that (I) rates of prepay-
9 ment from the State are adjusted to reflect fully the
10 rates of payment specified in section
11 1902(a)(13)(C), and (II) at the election of such cen-
12 ter or clinic, payments made by the entity to such
13 center or clinic for services described in section
14 1905(a)(2)(C) are made at the rates of payment
15 specified in section 1902(a)(13)(C);”.

16 (3) ELIMINATION OF REPEAL.—Section 4712(c)
17 of the Balanced Budget Act of 1997 is repealed and
18 the provisions of the Social Security Act shall be im-
19 plemented as through such section had never been
20 enacted.

21 (d) EFFECTIVE DATE.—The amendments made by
22 subsections (a) and (b) apply to services furnished on or
23 after January 1, 2000.

1 SEC. 202. MEDICAID COVERAGE OF PHYSICIANS' ASSIST-
2 ANTS.

3 (a) IN GENERAL.—Section 1905(a)(5)(A) of the So-
4 cial Security Act (42 U.S.C. 1396d(a)(5)(A)) is amended
5 by inserting “and services which would be physicians’ serv-
6 ices if furnished by such a physician and which are per-
7 formed by a physician assistant or a nurse practitioner
8 (as defined in section 1861(aa)(5)(A)) under the super-
9 vision of a physician (as so defined) and which the physi-
10 cian assistant or the nurse practitioner is legally author-
11 ized to perform by the State in which the services are per-
12 formed” after “section 1861(r)(1))”.

13 (b) EFFECTIVE DATE.—(1) Except as provided in
14 paragraph (2), the amendment made by subsection (a)
15 shall apply to services furnished on or after January 1,
16 2000, without regard to whether or not final regulations
17 to carry out such amendment have been promulgated by
18 such date.

19 (2) In the case of a State plan for medical assistance
20 under title XIX of the Social Security Act which the Sec-
21 retary of Health and Human Services determines requires
22 State legislation (other than legislation appropriating
23 funds) in order for the plan to meet the additional require-
24 ment imposed by the amendment made by subsection (a),
25 the State plan shall not be regarded as failing to comply
26 with the requirements of such title solely on the basis of

1 its failure to meet this additional requirement before the
2 first day of the first calendar quarter beginning after the
3 close of the first regular session of the State legislature
4 that begins after the date of the enactment of this Act.
5 For purposes of the previous sentence, in the case of a
6 State that has a 2-year legislative session, each year of
7 such session shall be deemed to be a separate regular ses-
8 sion of the State legislature.

9 **TITLE III—PROMOTING ACCESS**
10 **TO HEALTH CARE SERVICES**
11 **IN RURAL AREAS UNDER THE**
12 **INTERNAL REVENUE CODE**

13 **SEC. 301. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**
14 **UNDER THE NATIONAL HEALTH SERVICE**
15 **CORPS SCHOLARSHIP PROGRAM.**

16 (a) IN GENERAL.—Subsection (c) of section 117 of
17 the Internal Revenue Code of 1986 (relating to the exclu-
18 sion from gross income amounts received as a qualified
19 scholarship) is amended—

20 (1) by striking “Subsections (a)” and inserting
21 the following:

22 “(1) IN GENERAL.—Subject to paragraph (2),
23 subsections (a)”;

24 (2) by adding at the end the following:

1 “(2) NATIONAL HEALTH CORPS SCHOLARSHIP
2 PROGRAM.—Paragraph (1) shall not apply to any
3 amount received by an individual under the National
4 Health Corps Scholarship Program under section
5 338A(g)(1)(A) of the Public Health Service Act.”

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (a) shall apply to amounts received in taxable
8 years beginning after December 31, 1999.

9 **SEC. 302. ISSUANCE OF TAX-EXEMPT BONDS BY ORGANIZA-**
10 **TIONS PROVIDING RESCUE AND EMERGENCY**
11 **MEDICAL SERVICES.**

12 (a) GENERAL RULE.—Subsection (e) of section 150
13 of the Internal Revenue Code of 1986 is amended to read
14 as follows:

15 “(e) BONDS OF CERTAIN VOLUNTEER FIRE DEPART-
16 MENTS OR EMERGENCY SERVICE ORGANIZATIONS.—For
17 purposes of this part and section 103—

18 “(1) IN GENERAL.—A bond of a volunteer fire
19 or other emergency services organization shall be
20 treated as a bond of a political subdivision of a State
21 if—

22 “(A) such organization is a qualified volun-
23 teer fire or other emergency services organiza-
24 tion with respect to an area within the jurisdic-
25 tion of such political subdivision, and

1 “(B) such bond is issued as part of an
2 issue 95 percent or more of the net proceeds of
3 which are to be used for the acquisition, con-
4 struction, reconstruction, or improvement of—

5 “(i) a firehouse or other building used
6 or to be used by such organization in pro-
7 viding qualified services (including land
8 which is functionally related and subordi-
9 nate thereto), or

10 “(ii) a firetruck, ambulance, or other
11 vehicle used or to be used by such organi-
12 zation in providing qualified services.

13 “(2) QUALIFIED VOLUNTEER FIRE OR OTHER
14 EMERGENCY SERVICES ORGANIZATION.—For pur-
15 poses of this subsection, the term ‘qualified volun-
16 teer fire or other emergency services organization’
17 means, with respect to a political subdivision of a
18 State, any organization—

19 “(A) which is organized and operated to
20 provide qualified services for persons in an area
21 (within the jurisdiction of such political subdivi-
22 sion) which is not provided with any other
23 qualified services of the type provided by such
24 organization, and

“(B) which is required (by written agreement) by the political subdivision to furnish qualified services in such area.

For purposes of subparagraph (A), other qualified services provided in an area shall be disregarded in determining whether an organization is a qualified volunteer fire or other emergency services organization if such other qualified services are provided by a qualified volunteer fire or other emergency services organization (determined with the application of this sentence) and such organization and the provider of such other services have been continuously providing qualified services to such area since January 1, 1997.

“(3) TREATMENT AS PRIVATE ACTIVITY BONDS ONLY FOR CERTAIN PURPOSES.—Bonds which are part of an issue which meets the requirements of paragraph (1) shall not be treated as private activity bonds except for purposes of sections 147(f) and 149(d).

“(4) QUALIFIED SERVICES.—For purposes of this subsection, the term ‘qualified services’ means any firefighting, rescue, or emergency medical services.”

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to obligations issued on or after
 3 January 1, 2000.

4 **SEC. 303. BANK DEDUCTIBILITY OF SMALL, TAX-EXEMPT**
 5 **DEBTS.**

6 (a) IN GENERAL.—Section 265(b)(3) of the Internal
 7 Revenue Code of 1986 (relating to exception for certain
 8 tax-exempt obligations) is amended by adding at the end
 9 the following:

10 “(G) ELECTION TO APPLY LIMITATION ON
 11 AMOUNT OF OBLIGATIONS AT BORROWER
 12 LEVEL.—

13 “(i) IN GENERAL.—An issuer, the
 14 proceeds of the obligations of which are to
 15 be used to make or finance eligible loans,
 16 may elect to apply subparagraphs (C) and
 17 (D) by treating each borrower as the issuer
 18 of a separate issue.

19 “(ii) ELIGIBLE LOAN.—For purposes
 20 of this subparagraph—

21 “(I) IN GENERAL.—The term ‘el-
 22 igible loan’ means one or more loans
 23 to a qualified borrower the proceeds of
 24 which are used by the borrower for
 25 health care or educational purposes

1 and the outstanding balance of which
2 in the aggregate does not exceed
3 \$5,000,000.

4 “(II) QUALIFIED BORROWER.—

5 The term ‘qualified borrower’ means a
6 borrower which is an organization de-
7 scribed in section 501(c)(3) and ex-
8 empt from taxation under section
9 501(a).

10 “(iii) MANNER OF ELECTION.—The

11 election described in clause (i) may be
12 made by an issuer for any calendar year at
13 any time prior to its first issuance during
14 such year of obligations the proceeds of
15 which will be used to make or finance one
16 or more eligible loans.

17 “(iv) MODIFICATION OF RULE FOR

18 COMPOSITE ISSUES.—In the case of an ob-
19 ligation which is issued by any issuer
20 which has made the election described in
21 clause (i), subparagraph (F) shall be ap-
22 plied without regard to clause (i) of such
23 subparagraph.”

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to taxable years beginning after
3 December 31, 1999.

4 **TITLE IV—ADDITIONAL PROVI-**
5 **SIONS TO ADDRESS SHORT-**
6 **AGES OF HEALTH PROFES-**
7 **SIONALS IN RURAL AREAS**

8 **SEC. 401. REQUIREMENT FOR RURAL IMPACT STATEMENTS**
9 **FOR HEALTH CARE REGULATIONS.**

10 (a) IN GENERAL.—Whenever the Secretary of Health
11 and Human Services promulgates a regulation (or pro-
12 posed regulation) relating to a health care program, in-
13 cluding the medicare or medicaid programs, the Secretary
14 shall include with the promulgation of the regulation an
15 analysis of the likely impact of the implementation of the
16 regulation on rural areas, including its impact on—

- 17 (1) rural safety net providers;
18 (2) rural primary care providers;
19 (3) rural hospitals;
20 (4) Federally qualified health centers and rural
21 health clinics;
22 (5) the economies in rural areas; and
23 (6) rural residents.

1 (b) EFFECTIVE DATE.—Subsection (a) shall apply to
2 regulations promulgated on or after the date of the enact-
3 ment of this Act.

4 **SEC. 402. HEALTH PROFESSIONAL SHORTAGE AREAS.**

5 (a) EFFECTIVE DATE.—Section 332 of the Public
6 Health Service Act (42 U.S.C. 254e) is amended—

7 (1) in subsection (a)(1)(A), by inserting after
8 “services)” the following: “, or a frontier area (an
9 area that has six or fewer residents per square
10 mile),”; and

11 (2) by adding at the end of subsection (c), the
12 following new paragraph:

13 “(3) Any pending retirements or resignations of
14 physicians available within the area involved. In im-
15 plementing this paragraph, the Secretary shall waive
16 the requirements of this section with respect to the
17 number of physicians serving the area for the 12-
18 month period beginning on the date on which the
19 area was designated as a health professional short-
20 age area.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 subsection (a) shall take effect on the date of enactment
23 of this Act.

1 SEC. 403. ACCESS TO DATA.

2 (a) REQUIREMENT.—The heads of the agencies de-
3 scribed in subsection (b) shall negotiate and enter into
4 interagency agreements with agencies and offices of the
5 Department of Health and Human Services under which
6 such agencies and offices will be provided access to data
7 sets for intramural and extramural research conducted or
8 supported by such agencies or offices.

9 (b) AGENCY HEADS.—The agencies described in this
10 section are the following:

11 (1) The National Health Service Corps.

12 (2) The Centers for Disease Control and Pre-
13 vention.

14 (3) The Agency for Health Care Policy and Re-
15 search.

16 (4) The Bureau of the Census.

17 (c) INFORMATION.—The information that is to be
18 made available under interagency agreements under this
19 section shall include all information that is necessary for
20 scholarly and policy research. Such information shall be
21 made available in a manner that includes a description of
22 the geographic area or location of the individuals who are
23 the subject of such information.

24 (d) AVAILABILITY.—Information that is subject to an
25 interagency agreement under this section shall be made

1 available to bona fide researchers as determined appro-
 2 priate by the Secretary of Health and Human Services.

3 (e) CONFIDENTIALITY.—Each interagency agreement
 4 entered into under this section shall contain provisions
 5 that protect the confidentiality of the individuals who are
 6 the subjects of such information.

7 **SEC. 404. DESIGNATION OF UNDERSERVED AREAS UNDER**
 8 **HEALTH CARE CONTRACTS ADMINISTERED**
 9 **BY THE OFFICE OF PERSONNEL MANAGE-**
 10 **MENT.**

11 Section 8902(m)(2)(A) of title 5, United States Code,
 12 is amended by striking “a State where 25 percent” and
 13 all that follows through the period and inserting “an area
 14 designated as a health professional shortage area by the
 15 Department of Health and Human Services in accordance
 16 with section 332 of the Public Health Service Act (42
 17 U.S.C. 254e).”.

18 **SEC. 405. REVISION OF METHODOLOGY FOR DESIGNATION**
 19 **OF HEALTH PROFESSIONAL SHORTAGE**
 20 **AREAS.**

21 (a) REVISION OF METHODOLOGY.—

22 (1) IN GENERAL.—The Secretary of Health and
 23 Human Services shall establish, on an expedited
 24 basis and using a negotiated rulemaking process
 25 under subchapter III of chapter 5 of title 5, United

1 States Code, revised standards for the designation of
2 a health professional shortage area under section
3 332(a)(1) of the Public Health Service Act (42
4 U.S.C. 254e(a)(1)).

5 (2) CONSIDERATIONS.—In developing standards
6 under subsection (a), the Secretary shall—

7 (A) promote the needs of medically under-
8 served populations (as defined in section
9 330(b)(3) of the Public Health Service Act (42
10 U.S.C. 254c(b)(3))) and the needs of individ-
11 uals residing in health professional shortage
12 areas located in rural, frontier, and urban
13 areas; and

14 (B) consider the percentage of population
15 over the age of 65 years residing in such health
16 professional shortage areas.

17 (b) DEVELOPMENT OF DEFINITION OF FRONTIER.—
18 For purposes of subsection (a) and for purposes of pay-
19 ment under title XVIII of the Social Security Act, the Sec-
20 retary of Health and Human Services shall, by regulation,
21 define the term “frontier”. Such definition shall take into
22 account population density and distance in miles, and time
23 in minutes, to the nearest medical facility.

1 SEC. 406. SENSE OF CONGRESS REGARDING THE RESERVE
2 CORPS OF THE COMMISSIONED CORPS OF
3 THE PUBLIC HEALTH SERVICE.

4 (a) FINDINGS.—Congress makes the following find-
5 ings:

6 (1) Improving the Reserve Corps of the Com-
7 missioned Corps of the Public Health Service would
8 significantly enhance access to quality health care in
9 rural areas.

10 (2) Use of inactive members of the Reserve
11 Corps to fill vacancies in staffing of health care pro-
12 viders under the Public Health Service Act is an ef-
13 fective and cost efficient manner of providing in-
14 creased and improved health care services in rural
15 areas and to Public Health Service agencies.

16 (3) The use of inactive members of the Reserve
17 Corps to fill such vacancies is impeded because of an
18 inability to identify such members.

19 (4) Better overall management of the Reserve
20 Corps may save several million dollars annually.

21 (b) SENSE OF CONGRESS.—It is the sense on Con-
22 gress that the Secretary of Health and Human Services
23 should establish within the Public Health Service of the
24 Department of Health and Human Services an Office of
25 Reserve Corps Coordination for the Commissioned Corps
26 of the Public Health Service. Such Office should oversee

1 the management of the Reserve Corps and take such steps
2 as are necessary, including using inactive members to fill
3 temporary vacancies in staffing of health care providers
4 under the Public Health Service Act, to efficiently utilize
5 the Reserve Corps to increase and improve health care
6 services furnished in rural areas.

7 **TITLE V—TELEMEDICINE**
8 **Subtitle A—Improvements to the**
9 **Medicare Program**

10 **SEC. 501. IMPROVEMENT OF TELEHEALTH SERVICES.**

11 (a) MEDICARE COVERAGE OF TELEHEALTH SERV-
12 ICES.—

13 (1) ALL SERVICES FURNISHED UNDER MEDI-
14 CARE.—Section 4206(a) of the Balanced Budget Act
15 of 1997 (42 U.S.C. 1395l note) is amended by strik-
16 ing “furnishing a service for which payment may be
17 made under such part” and inserting “furnishing a
18 service for which payment may be made under such
19 title”.

20 (2) PHYSICAL, OCCUPATIONAL, AND SPEECH
21 THERAPY.—Subsections (a) and (d)(1) of section
22 4206 of the Balanced Budget Act of 1997 (42
23 U.S.C. 1395l note) are each amended by adding at
24 the end the following new sentence: “For purposes
25 of the preceding sentence, the term ‘practitioner’

1 shall include physical, occupational, and speech
2 therapists.”.

3 (3) TELEHEALTH CONSULTATION USING STORE
4 AND FORWARD TECHNOLOGY.—Section 4206(a) of
5 the Balanced Budget Act of 1997 (42 U.S.C. 1395l
6 note), as amended by paragraph (2), is further
7 amended by adding at the end the following new
8 sentence: “Payment shall also be made under this
9 section for professional consultations utilizing tech-
10 nology that provides for the asynchronous trans-
11 mission of health care information, in single or
12 multimedia formats, for the objective of any or all
13 of the following:

14 (1) Medical diagnosis.

15 (2) Medical treatment.

16 (3) Medical education.”.

17 (b) MEDICARE REIMBURSEMENT FOR TELEHEALTH
18 SERVICES IN ALL RURAL AREAS.—Section 4206 of the
19 Balanced Budget Act of 1997 (42 U.S.C. 1395l note) is
20 amended—

21 (1) in subsection (a), by striking “that is des-
22 ignated as a health professional shortage area under
23 section 332(a)(1)(A) of the Public Health Service
24 Act (42 U.S.C. 254e(a)(1)(A))” and inserting “or a

1 county that is not otherwise included in a Metropoli-
2 tan Statistical Area”; and

3 (2) in subsection (d), by striking “who does not
4 reside in a rural area (as so defined) that is des-
5 ignated as a health professional shortage area under
6 section 332(a)(1)(A) of the Public Health Service
7 Act (42 U.S.C. 254e(a)(1)(A))” and inserting “who
8 resides in a county in a rural area (as so defined)
9 or a county that is not otherwise included in a Met-
10 ropolitan Statistical Area”.

11 (c) PERMITTING PRESENTATION OF PATIENT BY
12 HEALTH CARE PROVIDERS.—Section 4206(a) of the
13 Balanced Budget Act of 1997 (42 U.S.C. 1395l note), as
14 amended by subsection (a), is further amended—

15 (1) by inserting “(1)” after “(a) IN GEN-
16 ERAL.—”; and

17 (2) by adding at the end the following new
18 paragraph:

19 “(2)(A) In the case of telehomecare (as described in
20 subparagraph (D)) a registered nurse, acting under the
21 directions of a physician or practitioner, may present the
22 beneficiary for the professional consultation. In the case
23 of such a presentation the presence of a referring or con-
24 sulting physician or practitioner is not required.

1 “(B) Telehomecare may be furnished in areas other
2 than in rural areas.

3 “(C) In this section, the term “registered nurse”
4 means a registered nurse who is licensed to practice nurs-
5 ing in the State in which the professional consultation is
6 performed and is operating within the scope of such li-
7 cense.

8 “(D) For purposes of subparagraph (A),
9 telehomecare consists of certain home health services fur-
10 nished using a electronic device capable of two-way audio
11 and video transmissions, and capable of monitoring and
12 transmitting vital statistics of a patient, including meas-
13 uring blood pressure and temperature of a patient.”.

14 (d) REVISION OF PAYMENT METHODOLOGY.—Sec-
15 tion 4206(b) of the Balanced Budget Act of 1997 (42
16 U.S.C. 1395l note) is amended—

17 (1) by redesignating paragraphs (1), (2), (3),
18 and (4) as subparagraphs (A), (B), (C), and (D), re-
19 spectively;

20 (2) by inserting “(1)” before “Taking into ac-
21 count”;

22 (3) in subparagraph (A), as so redesignated, to
23 read as follows:

24 “(A) The payment shall be made under a fee
25 schedule established by the Secretary that provides

1 for payment for the referring physician or practi-
2 tioner and for the consulting physician or practi-
3 tioner. If the referring physician or practitioner de-
4 termines it appropriate, such referring physician or
5 practitioner may be present during the professional
6 consultation. The amount of the payment to the
7 physicians or practitioners shall not be greater than
8 the current fee schedule of such consulting physician
9 or practitioner for the health care services pro-
10 vided.”;

11 (2) in subparagraph (B), to read as follows:

12 “(B) The payment shall include payment to a
13 provider of services for the costs associated with pro-
14 fessional consultation via telecommunications sys-
15 tems. Such costs shall include facility fees, costs of
16 maintenance of telehealth equipment and of tele-
17 communications facilities, and costs of staff incurred
18 in furnishing such professional consultations. In no
19 case may a beneficiary be billed for any such charges
20 or fees.”; and

21 (3) by adding at the end the following new
22 paragraphs:

23 “(2) The Secretary shall permit the imposition of
24 beneficiary cost sharing in the form of a copayment, not
25 to exceed \$15 per visit. In the case of any copayment im-

1 posed under the preceding sentence, the Secretary shall
2 require the provision of notice to the individual requesting
3 such services prior to the furnishing of such services.

4 “(3) The Secretary shall establish a separate code (or
5 codes) for purposes of claims for payment for items and
6 services furnished under this section.”.

7 (e) REPORTS TO CONGRESS.—Section 4206 of the
8 Balanced Budget Act of 1997 (42 U.S.C. 1395l note) is
9 amended by adding at the end the following new sub-
10 section:

11 “(e) ADDITIONAL REPORTS TO CONGRESS.—

12 “(1) INITIAL REPORT.—Not later than August
13 1, 2003, the Secretary of Health and Human Serv-
14 ices shall prepare and submit to the appropriate
15 committees of Congress a report concerning—

16 “(A) the number, percentage, and types of
17 health care providers licensed to provide tele-
18 health services across State lines, including the
19 number and types of health care providers li-
20 censed to provide such services in more than
21 three States;

22 “(B) the status of any reciprocal, mutual
23 recognition, fast-track, or other licensure agree-
24 ments between or among various States;

1 “(C) the status of any efforts to develop
2 uniform national sets of standards for the licen-
3 sure of health care providers to provide tele-
4 health services across State lines;

5 “(D) a projection of future utilization of
6 telehealth consultations across State lines;

7 “(E) State efforts to increase or reduce li-
8 censure as a burden to interstate telehealth
9 practice; and

10 “(F) any State licensure requirements that
11 appear to constitute unnecessary barriers to the
12 provision of telehealth services across State
13 lines.

14 “(2) ANNUAL REPORT.—

15 “(A) IN GENERAL.—Not later than August
16 1, 2004, and each July 1 thereafter, the Sec-
17 retary of Health and Human Services shall pre-
18 pare and submit to the appropriate committees
19 of Congress, an annual report on relevant devel-
20 opments concerning the matters referred to in
21 subparagraphs (A) through (F) of paragraph
22 (1).

23 “(B) RECOMMENDATIONS.—If, with re-
24 spect to a report submitted under subparagraph
25 (A), the Secretary of Health and Human Serv-

ices determines that States are not making progress in facilitating the provision of telehealth services across State lines by eliminating unnecessary requirements, adopting reciprocal licensing arrangements for telehealth services, implementing uniform requirements for telehealth licensure, or other means, the Secretary shall include in the report recommendations concerning the scope and nature of Federal actions required to reduce licensure as a barrier to the interstate provision of telehealth services.

(f) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of enactment of this Act.

SEC. 502. JOINT WORKING GROUP ON TELEHEALTH.

(a) **IN GENERAL.**—

(1) **REDESIGNATION.**—The Joint Working Group on Telemedicine, established by the Secretary of Health and Human Services, shall hereafter be known as the “Joint Working Group on Telehealth” with the chairperson being designated by the Office for the Advancement on Telehealth.

(2) **REPRESENTATION OF RURAL AREAS.**—The Joint Working Group on Telehealth shall ensure

1 that individuals that represent the interests of rural
2 areas are members of the Group.

3 (3) MISSION.—The mission of the Joint Work-
4 ing Group on Telehealth is—

5 (A) to identify, monitor, and coordinate
6 Federal telehealth projects, data sets, and pro-
7 grams;

8 (B) to analyze—

9 (i) how telehealth systems are expand-
10 ing access to health care services, edu-
11 cation, and information;

12 (ii) the clinical, educational, or admin-
13 istrative efficacy and cost-effectiveness of
14 telehealth applications; and

15 (iii) the quality of the telehealth serv-
16 ices delivered; and

17 (C) to make further recommendations for
18 coordinating Federal and State efforts to in-
19 crease access to health services, education, and
20 information in rural and underserved areas.

21 (4) ANNUAL REPORTS.—Not later than two
22 years after the date of enactment of this Act and
23 each January 1 thereafter the Joint Working Group
24 on Telehealth shall report to Congress on the status

of the Group's mission and the state of the telehealth field generally.

(b) REPORT SPECIFICS.—The annual report required under subsection (a)(3) shall provide—

(1) an analysis of—

(A) the matters described in subsection (a)(3)(B);

(B) the Federal activities with respect to telehealth; and

(C) the progress of the Joint Working Group on Telehealth's efforts to coordinate Federal telehealth programs; and

(2) recommendations for a coordinated Federal strategy to increase health care access through telehealth.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary for the Joint Working Group on Telehealth to carry out this section.

Subtitle B—Development of Telehealth Networks

SEC. 511. DEVELOPMENT.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this subtitle referred to as the “Secretary”), acting through the Director of the Office for the

1 Advancement of Telehealth (of the Health Resources and
2 Services Administration), shall provide financial assistance
3 (as described in subsection (b)(1)) to recipients (as de-
4 scribed in subsection (c)(1)) for the purpose of expanding
5 access to health care services for individuals in rural and
6 frontier areas through the use of telehealth.

7 (b) FINANCIAL ASSISTANCE.—

8 (1) IN GENERAL.—Financial assistance shall
9 consist of grants or cost of money loans, or both.

10 (2) FORM.—The Secretary shall determine the
11 portion of the financial assistance provided to a re-
12 cipient that consists of grants and the portion that
13 consists of cost of money loans so as to result in the
14 maximum feasible repayment to the Federal Govern-
15 ment of the financial assistance, based on the ability
16 of the recipient to repay and full utilization of funds
17 made available to carry out this subtitle.

18 (3) LOAN FORGIVENESS PROGRAM.—

19 (A) ESTABLISHMENT.—With respect to
20 cost of money loans provided under this section,
21 the Secretary shall establish a loan forgiveness
22 program under which recipients of such loans
23 may apply to have all or a portion of such loans
24 forgiven.

(B) REQUIREMENTS.—A recipient described in subparagraph (A) that desires to have a loan forgiven under the program established under such paragraph shall—

(i) within 180 days of the end of the loan cycle, submit an application to the Secretary requesting forgiveness of the loan involved;

(ii) demonstrate that the recipient has a financial need for such forgiveness;

(iii) demonstrate that the recipient has met the quality and cost-appropriateness criteria developed under subparagraph (C); and

(iv) provide any other information determined appropriate by the Secretary.

(C) CRITERIA.—As part of the program established under subparagraph (A), the Secretary shall establish criteria for determining the cost-effectiveness and quality of programs operated with loans provided under this section.

(c) RECIPIENTS.—

(1) APPLICATION.—To be eligible to receive a grant or loan under this section an entity described in paragraph (2) shall, in consultation with the

1 State office of rural health or other appropriate
2 State entity, prepare and submit to the Secretary an
3 application, at such time, in such manner, and con-
4 taining such information as the Secretary may re-
5 quire, including—

6 (A) a description of the anticipated need
7 for the grant or loan;

8 (B) a description of the activities which the
9 entity intends to carry out using amounts pro-
10 vided under the grant or loan;

11 (C) a plan for continuing the project after
12 Federal support under this section is ended;

13 (D) a description of the manner in which
14 the activities funded under the grant or loan
15 will meet health care needs of underserved rural
16 populations within the State;

17 (E) a description of how the local commu-
18 nity or region to be served by the network or
19 proposed network will be involved in the devel-
20 opment and ongoing operations of the network;

21 (F) the source and amount of non-Federal
22 funds the entity would pledge for the project;
23 and

(G) a showing of the long-term viability of the project and evidence of health care provider commitment to the network.

The application should demonstrate the manner in which the project will promote the integration of telehealth in the community so as to avoid redundancy of technology and achieve economies of scale.

(2) ELIGIBLE ENTITIES.—An entity described in this paragraph is a hospital or other health care provider in a health care network of community-based health care providers that includes at least—

(A) two of the following:

(i) community or migrant health centers;

(ii) local health departments;

(iii) nonprofit hospitals;

(iv) private practice health professionals, including rural health clinics;

(v) other publicly funded health or social services agencies;

(vi) skilled nursing facilities;

(vii) county mental health and other publicly funded mental health facilities; and

1 (viii) providers of home health serv-
2 ices; and

3 (B) one of the following, which must dem-
4 onstrate use of the network for purposes of
5 education and economic development (as re-
6 quired by the Secretary):

- 7 (i) a public school;
8 (ii) a public library;
9 (iii) a university or college;
10 (iv) a local government entity; or
11 (v) a local nonhealth-related business
12 entity.

13 An eligible entity may include for-profit entities so
14 long as the network grantee is a nonprofit entity.

15 (d) PRIORITY.—The Secretary shall establish proce-
16 dures to prioritize financial assistance under this subtitle
17 considering whether or not the applicant—

18 (1) is a health care provider in a rural health
19 care network or a health care provider that proposes
20 to form such a network, and the majority of the
21 health care providers in such a network are located
22 in a medically underserved, health professional
23 shortage area, or mental health professional short-
24 age areas;

(2) can demonstrate broad geographic coverage in the rural areas of the State, or States in which the applicant is located;

(3) proposes to use Federal funds to develop plans for, or to establish, telehealth systems that will link rural hospitals and rural health care providers to other hospitals, health care providers, and patients;

(4) will use the amounts provided for a range of health care applications and to promote greater efficiency in the use of health care resources;

(5) can demonstrate the long-term viability of projects through cost participation (cash or in-kind);

(6) can demonstrate financial, institutional, and community support for the long-term viability of the network; and

(7) can demonstrate a detailed plan for coordinating system use by eligible entities so that health care services are given a priority over non-clinical uses.

(e) MAXIMUM AMOUNT OF ASSISTANCE TO INDIVIDUAL RECIPIENTS.—The Secretary may establish the maximum amount of financial assistance to be made available to an individual recipient for each fiscal year under this subtitle, and establish the term of the loan or grant,

1 by publishing notice of the maximum amount in the Fed-
2 eral Register.

3 (f) USE OF AMOUNTS.—

4 (1) IN GENERAL.—Financial assistance pro-
5 vided under this subtitle shall be used—

6 (A) with respect to cost of money loans, to
7 encourage the initial development of rural tele-
8 health networks, expand existing networks, or
9 link existing networks together; and

10 (B) with respect to grants, as described in
11 paragraph (2).

12 (2) GRANTS AND LOANS.—The recipient of a
13 grant or loan under this subtitle may use financial
14 assistance received under such grant or loan for the
15 acquisition of telehealth equipment and modifica-
16 tions or improvements of telecommunications facili-
17 ties including—

18 (A) the development and acquisition
19 through lease or purchase of computer hard-
20 ware and software, audio and video equipment,
21 computer network equipment, interactive equip-
22 ment, data terminal equipment, and other fa-
23 cilities and equipment that would further the
24 purposes of this section;

1 (B) the provision of technical assistance
2 and instruction for the development and use of
3 such programming equipment or facilities;

4 (C) the development and acquisition of in-
5 structional programming;

6 (D) demonstration projects for teaching or
7 training medical students, residents, and other
8 health profession students in rural training
9 sites about the application of telehealth;

10 (E) transmission costs, maintenance of
11 equipment, and compensation of specialists and
12 referring health care providers;

13 (F) development of projects to use tele-
14 health to facilitate collaboration between health
15 care providers;

16 (G) electronic archival of patient records;

17 (H) collection and analysis of usage statis-
18 tics and data that can be used to document the
19 cost-effectiveness of the telehealth services; or

20 (I) such other uses that are consistent with
21 achieving the purposes of this section as ap-
22 proved by the Secretary.

23 (3) EXPENDITURES IN RURAL AREAS.—In
24 awarding a grant or cost of money loan under this
25 section, the Secretary shall ensure that not less than

1 50 percent of the grant or loan award is expended
2 in a rural area or to provide services to residents of
3 rural areas.

4 (g) PROHIBITED USES.—Financial assistance re-
5 ceived under this section may not be used for any of the
6 following:

7 (1) To build or acquire real property.

8 (2) In the case of the grant program, expendi-
9 tures to purchase or lease equipment to the extent
10 the expenditures would exceed more than 40 percent
11 of the total grant funds.

12 (3) To purchase or install transmission equip-
13 ment (such as laying cable or telephone lines, micro-
14 wave towers, satellite dishes, amplifiers, and digital
15 switching equipment).

16 (4) For construction, except that such funds
17 may be expended for minor renovations relating to
18 the installation of equipment.

19 (5) Expenditures for indirect costs (as deter-
20 mined by the Secretary) to the extent the expendi-
21 tures would exceed more than 20 percent of the total
22 grant or loan.

23 **SEC. 512. ADMINISTRATION.**

24 (a) NONDUPLICATION.—The Secretary shall ensure
25 that facilities constructed using financial assistance pro-

1 vided under this subtitle do not duplicate adequately es-
2 tablished telehealth networks.

3 (b) LOAN MATURITY.—The maturities of cost of
4 money loans shall be determined by the Secretary, based
5 on the useful life of the facility being financed, except that
6 the loan shall not be for a period of more than 10 years.

7 (c) LOAN SECURITY AND FEASIBILITY.—The Sec-
8 retary shall make a cost of money loan only if the Sec-
9 retary determines that the security for the loan is reason-
10 ably adequate and that the loan will be repaid within the
11 period of the loan.

12 (d) COORDINATION WITH OTHER AGENCIES.—The
13 Secretary shall coordinate, to the extent practicable, with
14 other Federal and State agencies with similar grant or
15 loan programs to pool resources for funding meritorious
16 proposals in rural areas.

17 (e) INFORMATIONAL EFFORTS.—The Secretary shall
18 establish and implement procedures to carry out informa-
19 tional efforts to advise potential end users located in rural
20 areas of each State about the program authorized by this
21 subtitle.

22 **SEC. 513. GUIDELINES.**

23 Not later than 180 days after the date of enactment
24 of this Act, the Secretary shall issue guidelines to carry
25 out this subtitle.

1 **SEC. 514. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to carry out
3 this subtitle, \$25,000,000 for fiscal year 2000, and such
4 sums as may be necessary for each of the fiscal years 2001
5 through 2006.

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